



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

TEXAS WOMEN'S FOUNDATION

June 30, 2019 and 2018

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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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year ended June 30, 2019 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the disclosures related to net assets. This ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by this ASU. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Financial Statements

The financial statements of Texas Women’s Foundation for the year ended June 30, 2018 were audited by other auditors who expressed an unmodified opinion of those statements on November 13, 2018.



Dallas, Texas
October 28, 2019

Texas Women's Foundation Statements of Financial Position

ASSETS	June 30,	
	2019	2018
CASH AND CASH EQUIVALENTS		
Held in operating accounts	\$ 2,379,521	\$ 2,129,685
Held in investment accounts	1,667,577	973,307
Total cash and cash equivalents	4,047,098	3,102,992
INVESTMENTS	25,773,544	24,998,482
PREPAID EXPENSES	149,790	145,497
RECEIVABLES		
Pledges receivable, net	4,746,729	5,169,194
Notes receivable, programmatic investments	200,000	200,000
Interest and miscellaneous receivables	105,408	128,170
Total receivables	5,052,137	5,497,364
BENEFICIAL INTERESTS	1,128,619	1,034,646
OTHER ASSETS	9,989	271,184
FURNITURE AND EQUIPMENT,	22,414	24,172
INTANGIBLE ASSET, net	131,821	-
Total assets	\$ 36,315,412	\$ 35,074,337
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 135,396	\$ 34,607
Grants payable, net	2,556,159	2,541,299
Accrued expenses	318,767	274,480
Deferred rent	15,483	31,808
Deferred revenues	296,362	736,734
Line of credit	300,918	-
Total liabilities	3,623,085	3,618,928
NET ASSETS		
Without donor restrictions		
Board designated endowments	1,788,790	1,801,522
Donor-advised funds	11,559,476	10,501,056
Undesignated	353,930	841,508
Total without donor restrictions	13,702,196	13,144,086
With donor restrictions		
Purpose restricted	7,310,282	6,603,672
Endowment funds accumulated gains	2,554,915	2,519,139
Endowment funds restricted in perpetuity	9,124,934	9,188,512
Total with donor restrictions	18,990,131	18,311,323
Total net assets	32,692,327	31,455,409
Total liabilities and net assets	\$ 36,315,412	\$ 35,074,337

See accompanying notes.

Texas Women's Foundation
Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUES, GAINS, AND SUPPORT			
Endowment, donor-advised and field-of-interest contributions	\$ 1,205,644	\$ 149,688	\$ 1,355,332
Annual operating contributions	1,215,196	713,653	1,928,849
Cooperative operations funding	122,500	602,400	724,900
Cooperative grant and initiative funding	-	2,637,479	2,637,479
	<u>2,543,340</u>	<u>4,103,220</u>	<u>6,646,560</u>
Total contributions			
Investment income, net	783,069	646,527	1,429,596
Service revenue	219,375	-	219,375
Special events			
Sales and contributions, net of cost of direct benefit to donors of \$609,955	1,317,563	66,432	1,383,995
Donated goods and services (from Special events and other)	473,958	-	473,958
Interest income on notes receivable- programmatic investments	6,458	-	6,458
Change in value of split-interest agreements	-	50,504	50,504
	<u>5,343,763</u>	<u>4,866,683</u>	<u>10,210,446</u>
Total			
Net assets released from restrictions	4,487,875	(4,487,875)	-
Change in donor intent	(300,000)	300,000	-
	<u>9,531,638</u>	<u>678,808</u>	<u>10,210,446</u>
Total revenues, gains, and support			
EXPENSES			
Program services	6,353,189	-	6,353,189
Fundraising	809,558	-	809,558
Administrative	1,810,781	-	1,810,781
	<u>8,973,528</u>	<u>-</u>	<u>8,973,528</u>
Total expense			
CHANGE IN NET ASSETS	558,110	678,808	1,236,918
NET ASSETS, at beginning of year	13,144,086	18,311,323	31,455,409
NET ASSETS, at end of year	<u>\$ 13,702,196</u>	<u>\$ 18,990,131</u>	<u>\$ 32,692,327</u>

Texas Women's Foundation
Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
REVENUES, GAINS, AND SUPPORT			
Endowment, donor-advised and field-of-interest contributions	\$ 645,589	\$ 784,759	\$ 1,430,348
Annual operating contributions	146,781	600,678	747,459
Cooperative operations funding	583,250	20,000	603,250
Cooperative grant and initiative funding	-	2,713,195	2,713,195
	<u>1,375,620</u>	<u>4,118,632</u>	<u>5,494,252</u>
Total contributions			
Investment income, net	953,791	776,665	1,730,456
Service revenue	91,385	-	91,385
Special events			
Sales and contributions, net of cost of direct benefit to donors of \$455,565	430,963	480,417	911,380
Donated goods and services (from Special events and other)	78,964	-	78,964
Interest income on notes receivable- programmatic investments	6,249	-	6,249
Change in value of split-interest agreements	-	(111,328)	(111,328)
Other revenue	222,333	-	222,333
	<u>3,159,305</u>	<u>5,264,386</u>	<u>8,423,691</u>
Total			
Net assets released from restrictions	4,654,431	(4,654,431)	-
	<u>7,813,736</u>	<u>609,955</u>	<u>8,423,691</u>
Total revenues, gains, and support			
EXPENSES			
Program services	8,366,481	-	8,366,481
Fundraising	1,291,542	-	1,291,542
Administrative	626,991	-	626,991
	<u>10,285,014</u>	<u>-</u>	<u>10,285,014</u>
Total expense			
CHANGE IN NET ASSETS	(2,471,278)	609,955	(1,861,323)
NET ASSETS, at beginning of year	15,615,364	17,701,368	33,316,732
	<u>15,615,364</u>	<u>17,701,368</u>	<u>33,316,732</u>
NET ASSETS, at end of year	\$ 13,144,086	\$ 18,311,323	\$ 31,455,409
	<u>\$ 13,144,086</u>	<u>\$ 18,311,323</u>	<u>\$ 31,455,409</u>

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,236,918	\$ (1,861,323)
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	(1,429,596)	(1,730,456)
Depreciation	11,430	15,690
Amortization	29,778	-
Contributions recognized for donated securities	(322,333)	(409,778)
Bad debt losses	(23,853)	-
Beneficial interests	(93,973)	70,234
Changes in operating assets and liabilities		
Prepaid expenses	(4,293)	(31,783)
Pledges receivable	446,318	1,141,024
Interest and miscellaneous receivables	22,762	(7,398)
Other assets	261,195	(261,161)
Accounts payable	(100,789)	17,791
Grants payable	(14,860)	2,541,299
Accrued expenses	(44,287)	201,307
Deferred rent	16,325	(13,622)
Deferred revenues	440,372	447,975
	<u>431,114</u>	<u>119,799</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,648,533)	(10,211,233)
Proceeds from sales and maturities of investments	13,031,878	11,511,847
Purchases of furniture and equipment	(9,672)	(9,376)
Purchases of intangibles	(161,599)	-
	<u>212,074</u>	<u>1,291,238</u>
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Addition on line of credit	551,169	-
Payment on line of credit	(250,251)	-
	<u>300,918</u>	<u>-</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	944,106	1,411,037
CASH AND CASH EQUIVALENTS, a beginning of year	<u>3,102,992</u>	<u>1,691,955</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 4,047,098</u>	<u>\$ 3,102,992</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Contributions recognized for donated securities	<u>\$ 322,333</u>	<u>\$ 409,778</u>
Cash paid during the year for interest	<u>\$ 6,166</u>	<u>\$ -</u>

Texas Women's Foundation
Statement of Functional Expenses
For Year Ended June 30, 2019

	Program Services				Supporting Services			
	Economic Security	Leadership	Empowering Women's Philanthropy	Other Mission	Total	Fundraising	Administrative	Total
Expenses								
Salaries, payroll taxes, and benefits	\$ 162,488	\$ 278,304	\$ 170,603	\$ 198,849	\$ 810,244	\$ 467,932	\$ 877,416	\$ 2,155,592
Grant awards	1,489,367	932,871	1,110,287	798,085	4,330,610	-	-	4,330,610
Accounting, legal and other professional fees	210,500	1,500	-	-	212,000	115	58,657	270,772
Consulting fees	12,237	240,436	2,500	39,813	294,986	21,058	309,808	625,852
Bank and credit card fees	-	-	-	-	-	27,393	192	27,585
Copying, printing, and design	7,652	53,176	544	14,906	76,278	22,458	65,306	164,042
Travel, meals, and cultivation	7,102	55,277	10,399	16,787	89,565	19,534	26,494	135,593
Training and conference fees	3,095	1,735	6,651	4,240	15,721	3,733	1,579	21,033
Dues and subscriptions	1,000	-	1,000	8,034	10,034	9,449	10,241	29,724
Supplies	69	21,592	65	1,952	23,678	(536)	15,809	38,951
Postage and delivery	-	8,428	48	2,451	10,927	7,242	3,154	21,323
Digital media	-	4,938	-	-	4,938	-	19,000	23,938
Photography	-	1,312	550	-	1,862	5,375	1,438	8,675
Event planner and event venue	1,000	25,048	13,376	950	40,374	3,702	3,782	47,858
Speaker	-	7,303	2,010	-	9,313	108	-	9,421
Display, signage, and décor	-	18,439	-	621	19,060	3,218	23,566	45,844
Appreciation gifts	65	17,192	-	2,742	19,999	11,139	4,369	35,507
Audio visual equipment-external	-	675	116	-	791	-	-	791
Computers, software, hosting and maintenance	63	1,452	160	55,153	56,828	34,020	94,080	184,928
Sponsor nonprofit luncheons & events	2,105	250	334	5,249	7,938	26,007	30,152	64,097
Donated goods and services	3,317	219,204	10,714	2,857	236,092	68,834	178,316	483,242
Rent, utilities, and other facilities expenses	-	-	-	81,339	81,339	36,221	80,085	197,645
Miscellaneous	-	492	-	120	612	42,556	7,337	50,505
Total	<u>\$ 1,900,060</u>	<u>\$ 1,889,624</u>	<u>\$ 1,329,357</u>	<u>\$ 1,234,148</u>	<u>\$ 6,353,189</u>	<u>\$ 809,558</u>	<u>\$ 1,810,781</u>	<u>\$ 8,973,528</u>

See accompanying notes.

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 and 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).

New Accounting Pronouncement

On July 1, 2018, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include (a) presentation of two classes of net assets versus the previously required three, (b) recognition of underwater endowment funds as a reduction in net assets with donor restrictions, and (c) reporting investment income net of external and direct internal investment expenses. The guidance also enhances (a) disclosures for amounts designated by management, (b) compositions of net assets with donor restrictions and how the restrictions affect the use of resources, (c) qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and (d) expenses by both their natural and functional classification including methods used to allocate costs among program and support functions.

Net assets have not been reclassified for 2018 due to the adoption of ASU No. 2016-14 as of July 1, 2018. Certain reclassifications have been made to the 2018 financial statements to conform to ASU No. 2016-14. Such reclassifications did not change total net assets or changes in net assets as reflected in the 2018 financial statements. As permitted by this ASU, the Foundation has omitted the statement of functional expenses for the year ended June 30, 2018.

Note 2 – Summary of Significant Accounting Policies (continued)

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 48 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.

Revenue

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 unconditional promises to give are received. 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 made that are designated for future periods or stated by the donor for specific purposes are reported as with donor restricted support. 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.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

During the years ended June 30, 2019 and 2018, one donor comprises 10% and 14%, respectively, of total contributions in the accompanying statements of activities and changes in net assets.

Special Events – Special events generate revenue for the Foundation as well as raise awareness about the Foundation's mission. The most common revenue component are ticket sales and tables sold for special events. Special event expenses include the costs of direct benefits to donors attending various special events hosted by the Foundation.

Donated Goods and Services – Certain contributed goods and services are reflected in the financial statements at the estimated fair value of the 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 or (b) require specialized skills that are provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation.

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 agreement which supersede those stipulations. When a restriction expires, net assets are released.

Realized and unrealized gains and losses and income on investments of endowment and similar funds are reported as follows:

With Donor Restriction Net Assets – If the terms of the gift require they be added to the principal of an endowment fund. Or if the terms of the gift impose restrictions on their use and until appropriation for expenditure for all earnings on donor-restricted endowment funds.

Without Donor Restriction Net Assets – In all other cases.

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, 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 \$(23,853) are included in the accompanying statement of activities and changes in net assets for the year ended June 30, 2019. No such bad debt losses existed for the year ended June 30, 2018.

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. The notes bear interest at different 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, 2019 or 2018.

Beneficial Interests

The Foundation has beneficial interests in a charitable remainder trust and life insurance policies at June 30, 2019 and 2018.

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 on investments in the accompanying statements of activities and changes in net assets.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

The life insurance policies are held by a third-party life insurance carrier 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 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 statement of functional expenses. As of June 30, 2019 and 2018, furniture and equipment was approximately \$101,786, and \$132,068, net of accumulated depreciation of \$79,372 and \$107,896, respectively.

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 the which ranges from three to five years. Management does not believe there were any impaired intangibles as of and for the year ended June 30, 2019.

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 of 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.

The Foundation's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Deferred Rent

The Foundation leases facilities under non-cancelable operating leases that contain rent escalation clauses. Rent expense is required to be recognized on a straight-line basis ratably over the lease term. The difference between rent expense recognized for financial reporting purposes and the actual payments made in accordance with the lease agreements is included in deferred rent in the statements of financial position.

Deferred Revenues

Pledges received and cash receipts from ticket sales and tables 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 an unconditional contribution since the possibility that the event will not take place is so remote and the donor explicitly waives the condition that 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, 2019 and 2018 were \$45,845 and \$39,432, 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 expense 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 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.

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 June of 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for fiscal years beginning after December 15, 2018. The Foundation is currently assessing the potential impact of this ASU on its financial statements.

In May of 2014, the FASB issued ASU No. 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*. This ASU introduces a new five step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. Early application of the amendments is permitted. The Foundation is currently assessing the potential impact of this ASU on its financial statements.

In February of 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the statement of financial position, the new ASU will require both types of leases to be recognized on the statement of financial position. This ASU is effective for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in this ASU is permitted. On October 16, 2019, the FASB approved deferring the effective date of this ASU for one year. This ASU is now effective for fiscal years beginning after December 15, 2020. The Foundation is currently assessing the potential impact of this ASU on its financial statements.

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. This ASU is effective for the Foundation for annual and interim reporting periods beginning July 1, 2020. The Foundation is currently assessing the potential impact of this ASU on its financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events are events or transactions that occur after the financial statement 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 has evaluated subsequent events through October 28, 2019, which is the date the financial statements were available to be issued.

The Foundation amended its office lease effective October 9, 2019 to extend the expiration date from April 30, 2020 to November 30, 2027. Also, on October 25, 2019, the Foundation obtained a new line of credit with a different bank and paid the outstanding balance of the line of credit described in Note 14. The revolving line of credit is for a maximum of \$1,400,000. The revolving line of credit bears interest at LIBOR +.75%. The new line of credit is secured by the Board Designated endowments.

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.

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

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

	<u>2019</u> <u>Fair Value</u>	<u>2018</u> <u>Fair Value</u>
Fixed income		
Corporate bond funds	\$ 9,731,716	\$ 9,043,929
Equities		
Equity securities	15,608,501	15,439,922
Commodities funds	323,216	405,868
Private partnership		
Texas Women's Venture Fund II	<u>110,111</u>	<u>108,763</u>
Total investments	25,773,544	24,998,482
Cash and cash equivalents held in investment accounts	<u>1,667,577</u>	<u>973,307</u>
Total investments and cash and cash equivalents held in investment accounts	<u>\$ 27,441,121</u>	<u>\$ 25,971,789</u>

Investment advisory fees paid by the Foundation totaled \$82,533 and \$99,993 for the years ended June 30, 2019 and 2018, respectively, and are netted against investment income in the accompanying statements of activities and changes in net assets.

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, 2019 and 2018:

Corporate Bond Funds, Equity Securities, and Commodities Funds – 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.

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 has committed funds to this private partnership which will be called at various points over a three-year period by the partnership. 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 for present value using a historical twenty-year U.S. Treasury rate. Valuations are reviewed annually by management by updating life expectancy of the income beneficiary, discount rates and the fair value of the underlying investments. The discount rates used for the years ended June 30, 2019 and June 30, 2018 were 1.87% and 2.85%, 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, 2019 are categorized as follows:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets in hierarchy				
Corporate bond funds	\$ 9,731,716	\$ -	\$ -	\$ 9,731,716
Equity securities	15,608,501	-	-	15,608,501
Commodities funds	323,216	-	-	323,216
Life insurance policies	-	367,760	-	367,760
Charitable remainder trust	-	-	760,859	760,859
	<u>\$ 25,663,433</u>	<u>\$ 367,760</u>	<u>\$ 760,859</u>	26,792,052
Total assets in fair value hierarchy				
Investments measured at NAV				<u>110,111</u>
				<u>\$ 26,902,163</u>

The Foundation's assets held at fair value on a recurring basis at June 30, 2018 are categorized as follows:

<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets in hierarchy				
Corporate bond funds	\$ 9,043,929	\$ -	\$ -	\$ 9,043,929
Equity securities	15,439,922	-	-	15,439,922
Commodities funds	405,868	-	-	405,868
Life insurance policies	-	324,291	-	324,291
Charitable remainder trust	-	-	710,355	710,355
	<u>\$ 24,889,719</u>	<u>\$ 324,291</u>	<u>\$ 710,355</u>	25,924,365
Total assets in fair value hierarchy				
Investments measured at NAV				<u>108,763</u>
				<u>\$ 26,033,128</u>

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

Beginning balance	\$ 710,355	\$ 821,683
Change in value of split interest agreements	<u>50,504</u>	<u>(111,328)</u>
Ending Balance	<u>\$ 760,859</u>	<u>\$ 710,355</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, 2019:

	Fair Value at June 30, 2019	Unfunded Commitments	Redemption Frequently	Redemption Notice Period
Texas Women's Venture Funds II	<u>\$ 110,111</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:

	2019	2018
Endowments		
Board designated quasi-endowment, without donor designation	\$ 1,788,790	\$ 1,801,522
With donor restrictions	11,679,849	11,052,791
Donor-advised funds, without donor restrictions	11,559,476	10,501,056
Operating funds, without donor restrictions	494,279	479,309
Field-of-interest funds, without donor restrictions	1,808,616	2,028,348
Private partnership, without donor restrictions	110,111	108,763
	<u>\$ 27,441,121</u>	<u>\$ 25,971,789</u>
Total		

Texas Women's Foundation

Notes to Financial Statements

Note 4 – Liquidity and Availability

The following table reflects the Foundation's financial assets as of June 30, 2019. 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:

Financial assets	
Cash and cash equivalents	\$ 4,047,098
Investments	25,773,544
Pledges receivable, net	4,746,729
Notes receivable, programmatic investments	200,000
Interest and miscellaneous receivables	105,408
Beneficial interests	<u>1,128,619</u>
Financial assets, at June 30, 2019	36,001,398
Less financial assets unavailable for general expenditure within one year, due to:	
Purpose restricted net assets	(7,310,282)
Board designated endowment fund and accumulated earnings	(1,788,790)
Endowments and accumulated earnings	(11,679,849)
Investments, long - term	(110,111)
Beneficial interests	(1,128,619)
Pledges receivable, net, collectable beyond one year	<u>(2,357,203)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 11,626,544</u></u>

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, and,
- Monthly evaluation and tracking of unrestricted cash balance and short-term needs.

Also, to manage liquidity, the Foundation maintains a secured line of credit with a credit limit of \$1,400,00, which it could draw upon in the event of an anticipated liquidity need (see Note 2 – Subsequent Events).

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 nine 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.

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, 2019 and June 30, 2018.

Texas Women's Foundation

Notes to Financial Statements

Note 5 – Endowments (continued)

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% - 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.

Endowment net assets consisted of the following at June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2019</u>			
Donor restricted endowments	\$ -	\$ 11,679,849	\$ 11,679,849
Board designated quasi-endowment	1,788,790	-	1,788,790
Endowment net assets	<u>\$ 1,788,790</u>	<u>\$ 11,679,849</u>	<u>\$ 13,468,639</u>
<u>2018</u>			
Donor restricted endowments	\$ -	\$ 11,707,651	\$ 11,707,651
Board designated quasi-endowment	1,801,522	-	1,801,522
Endowment net assets	<u>\$ 1,801,522</u>	<u>\$ 11,707,651</u>	<u>\$ 13,509,173</u>

Texas Women's Foundation
Notes to Financial Statements

Note 5 – Endowments (continued)

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, 2018	\$ 1,801,522	\$ 11,707,651	\$ 13,509,173
Contributions	40	100,477	100,517
Change in donor intent	-	300,000	300,000
Investment returns	72,156	28,252	100,408
Appropriation of endowment assets for grant and operational expenditures	<u>(84,928)</u>	<u>(456,531)</u>	<u>(541,459)</u>
Endowment net assets, at June 30, 2019	<u>\$ 1,788,790</u>	<u>\$ 11,679,849</u>	<u>\$ 13,468,639</u>
Endowment net assets, at June 30, 2017	\$ 1,513,959	\$ 10,569,599	\$ 12,083,558
Contributions	196,421	671,828	868,249
Investment returns	135,851	891,862	1,027,713
Appropriation of endowment assets for grant and operational expenditures	<u>(44,709)</u>	<u>(425,638)</u>	<u>(470,347)</u>
Endowment net assets, at June 30, 2018	<u>\$ 1,801,522</u>	<u>\$ 11,707,651</u>	<u>\$ 13,509,173</u>

Note 6 – Pledges Receivable

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

	<u>2019</u>	<u>2018</u>
Donor-advised funds	\$ 502,413	\$ 1,099,782
Operations	1,736,100	1,523,845
Cooperative grant funding	2,817,225	2,467,904
Operating endowment, with donor restriction	<u>-</u>	<u>500,000</u>
Gross pledges receivable	5,055,738	5,591,531
Less discount to net present value	(56,348)	(99,085)
Less allowance for uncollectible pledges	<u>(252,661)</u>	<u>(323,252)</u>
Total pledges receivable, net	<u>\$ 4,746,729</u>	<u>\$ 5,169,194</u>

Texas Women's Foundation

Notes to Financial Statements

Note 6 – Pledges Receivable (continued)

The maturity of pledges receivable as of June 30, 2019 are as follows:

Less than one year	\$ 2,389,526
One to five years	<u>2,357,203</u>
Total	<u>\$ 4,746,729</u>

Pledges receivable are stated at the present value of estimated future cash flows using discount rates ranging from 2.16% to 3.68%.

Approximately 29% and 48% of gross pledges receivable are due from three donors at June 30, 2019 and 2018, respectively.

Note 7 – Notes Receivable, Programmatic Investments

The Foundation has three outstanding notes receivable agreements as of June 30, 2019 totaling \$200,000. These notes represent the Foundation's desire to increase programmatic investments.

Two of the note agreements were 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. 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. The Foundation does not consider an allowance necessary at June 30, 2019.

The third note agreement was entered into as of August 26, 2016. This note has an initial face value of \$50,000. The Foundation earns interest of 5.0% per year on this note, with interest payments to be made in monthly installments from September 1, 2016 to August 1, 2019. Principal balance is due and payable in monthly payments beginning September 1, 2019, with a final balloon payment for remaining principal on September 1, 2021. The Foundation does not consider an allowance necessary at June 30, 2019.

For the years ended June 30, 2019 and 2018, total interest was \$6,458 and \$6,249, respectively, and are recorded as interest income on notes receivable, programmatic investments in the accompanying statements of activities and changes in net assets.

Texas Women's Foundation
Notes to Financial Statements

Note 8 – Intangibles

Intangible assets acquired consist of the following for the year ended June 30:

Intangibles	\$ 161,599
Less accumulated amortization	<u>(29,778)</u>
	<u>\$ 131,821</u>

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

2020	\$ 44,667
2021	44,667
2022	24,710
2023	13,800
2024	<u>3,977</u>
	<u>\$ 131,821</u>

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, 2019:

2020	\$ 1,799,625
2021	<u>770,000</u>
Gross grants authorized but unpaid	2,569,625
Less discount on long-term grants	<u>(13,466)</u>
Net grants authorized but unpaid	<u>\$ 2,556,159</u>

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>2019</u>	<u>2018</u>
Grants, research, and operations	\$ 9,865,197	\$ 9,122,811
General endowment	5,699,785	5,697,086
Operating endowment	838,833	1,338,733
Suzanne Ahn, M.D., speaker endowment (annual luncheon)	1,183,540	1,182,540
Virginia Whitehill Endowment	148,186	66,653
Dayton Endowment	530,990	500,000
Crockett Endowment	423,600	403,500
Yip Endowment for Women's Philanthropy	<u>300,000</u>	<u>-</u>
Total	<u>\$ 18,990,131</u>	<u>\$ 18,311,323</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>2019</u>	<u>2018</u>
Operations	\$ 1,727,932	\$ 1,846,347
Donor-advised funds	989,769	643,620
Grants and research	<u>1,770,174</u>	<u>2,164,464</u>
Total	<u>\$ 4,487,875</u>	<u>\$ 4,654,431</u>

Texas Women's Foundation Notes to Financial Statements

Note 12 - Operating Leases

In June 2012, the Foundation executed a non-cancelable operating lease for their main office space that expires April 30, 2020. On October 9, 2019, the lease was amended to extend the lease term to November 30, 2027. Minimum future rental payments under this lease and other non-cancelable operating leases are as follows for the years ended June 30:

2020	\$ 96,893
2021	81,171
2022	140,915
2023	143,940
2024	146,965
Thereafter	<u>524,587</u>
Total	<u>\$ 1,134,471</u>

Rental expense was \$111,255 and \$ 111,437 for the years ended June 30, 2019 and 2018, respectively.

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 \$57,188 and \$54,327 during the years ended June 30, 2019 and 2018, respectively.

Note 14 – Revolving Line of Credit

The Foundation opened a line of credit agreement with a financial institution as of August 12, 2016. At June 30, 2019, \$3,700,000 is available under this line. Interest will be charged at LIBOR plus 0.75% and the line is secured by the cash and investments held by the financial institution on behalf of the Foundation. Balance at June 30, 2019 was approximately \$300,000. The line of credit contains affirmative covenants. Balance paid off as of October 25, 2019 (see Note 2 – Subsequent Events).

Texas Women's Foundation

Notes to Financial Statements

Note 15 – Related Party Transactions

Related parties include members of the Board, the advisory council, and Foundation staff. The advisory council is comprised of 47 individuals who are appointed by the Board. The advisory council exists to provide guidance and expertise to the Foundation. Revenues from related parties consists of contributions from board members, advisory council members, and Foundation staff and represents approximately 1% and 4% of total revenues for the year ended June 30, 2019 and 2018, 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 \$962,597 and \$964,412 as of June 30, 2019 and 2018, respectively.

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 are not expected to have a material adverse effect on the Foundation's financial position, results of operations, or cash flows.