



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

TEXAS WOMEN'S FOUNDATION

June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years ended June 30, 2020 and 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 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Texas Women's Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* and ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Dallas, Texas
October 21, 2020

Texas Women's Foundation

Statements of Financial Position

| ASSETS | | June 30, | |
|--|----------------------|----------------------|--|
| | 2020 | 2019 | |
| CASH AND CASH EQUIVALENTS | | | |
| Held in operating accounts | \$ 4,502,742 | \$ 2,379,521 | |
| Held in investment accounts | 32,631 | 1,667,577 | |
| Total cash and cash equivalents | 4,535,373 | 4,047,098 | |
| INVESTMENTS | 33,044,759 | 25,773,544 | |
| PREPAID EXPENSES | 152,569 | 149,790 | |
| RECEIVABLES | | | |
| Pledges receivable, net | 2,702,926 | 4,746,729 | |
| Notes receivable, programmatic investments | 150,000 | 200,000 | |
| Interest and miscellaneous receivables | 109,082 | 105,408 | |
| Total receivables | 2,962,008 | 5,052,137 | |
| BENEFICIAL INTERESTS | 1,172,693 | 1,128,619 | |
| RIGHT OF USE ASSET | 949,809 | - | |
| OTHER ASSETS | 13,108 | 9,989 | |
| FURNITURE AND EQUIPMENT, net | 231,069 | 22,414 | |
| INTANGIBLE ASSET, net | 87,157 | 131,821 | |
| Total assets | <u>\$ 43,148,545</u> | <u>\$ 36,315,412</u> | |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 230,670 | \$ 135,396 | |
| Grants payable, net | 1,950,048 | 2,556,159 | |
| Accrued expenses | 228,029 | 318,767 | |
| Deferred rent | - | 15,483 | |
| Deferred revenues | 362,345 | 296,362 | |
| Lease liabilities | 972,612 | - | |
| Note payable | 347,200 | - | |
| Line of credit | 752,393 | 300,918 | |
| Total liabilities | <u>4,843,297</u> | <u>3,623,085</u> | |
| NET ASSETS | | | |
| Without donor restrictions | | | |
| Board designated endowments | 1,839,698 | 1,788,790 | |
| Donor-advised funds | 17,123,724 | 11,559,476 | |
| Undesignated | 1,238,428 | 353,930 | |
| Total without donor restrictions | 20,201,850 | 13,702,196 | |
| With donor restrictions | | | |
| Purpose and timing restricted | 6,245,098 | 7,310,282 | |
| Endowment funds accumulated gains | 2,435,494 | 2,554,915 | |
| Endowment funds restricted in perpetuity | 9,422,806 | 9,124,934 | |
| Total with donor restrictions | <u>18,103,398</u> | <u>18,990,131</u> | |
| Total net assets | <u>38,305,248</u> | <u>32,692,327</u> | |
| Total liabilities and net assets | <u>\$ 43,148,545</u> | <u>\$ 36,315,412</u> | |

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 |
| Service revenue | 455,500 | - | 455,500 |
| Special events | | | |
| Sales and contributions, net of cost of direct benefit to donors of \$325,966 | 1,008,466 | 1,050 | 1,009,516 |
| 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 | 15,439,792 | 2,328,598 | 17,768,390 |
| Net assets released from restrictions | 3,215,331 | (3,215,331) | - |
| Total revenues, gains, and support | 18,655,123 | (886,733) | 17,768,390 |
| 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 | 6,499,654 | (886,733) | 5,612,921 |
| NET ASSETS, at beginning of year | 13,702,196 | 18,990,131 | 32,692,327 |
| NET ASSETS, at end of year | \$ 20,201,850 | \$ 18,103,398 | \$ 38,305,248 |

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 giving circles contributions | \$ 1,205,644 | \$ 149,688 | \$ 1,355,332 |
| Annual operating contributions | 1,215,196 | 670,184 | 1,885,380 |
| Cooperative operations funding | 122,500 | 602,400 | 724,900 |
| Cooperative grant and initiative funding | - | 2,637,479 | 2,637,479 |
| Total contributions | 2,543,340 | 4,059,751 | 6,603,091 |
| Investment income, net | 740,918 | 646,527 | 1,387,445 |
| 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 beneficial interest | - | 93,973 | 93,973 |
| Total | 5,301,612 | 4,866,683 | 10,168,295 |
| Net assets released from restrictions | 4,487,875 | (4,487,875) | - |
| Change in donor intent | (300,000) | 300,000 | - |
| Total revenues, gains, and support | 9,489,487 | 678,808 | 10,168,295 |
| EXPENSES | | | |
| Program services | 6,324,504 | - | 6,324,504 |
| Fundraising | 796,092 | - | 796,092 |
| Administrative | 1,810,781 | - | 1,810,781 |
| Total expense | 8,931,377 | - | 8,931,377 |
| 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 | \$ 13,702,196 | \$ 18,990,131 | \$ 32,692,327 |

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

| | 2020 | 2019 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 5,612,921 | \$ 1,236,918 |
| 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 | (724,327) | (1,429,596) |
| Depreciation | 47,682 | 11,430 |
| Amortization | 44,664 | 29,778 |
| Contributions recognized for donated securities | - | (322,333) |
| Bad debt losses | (168,960) | (23,853) |
| Beneficial interests | (44,074) | (93,973) |
| Change in discount on grants payable | (12,305) | (28,685) |
| Changes in operating assets and liabilities | | |
| Prepaid expenses | (2,779) | (4,293) |
| Pledges receivable | 2,212,763 | 446,318 |
| Interest and miscellaneous receivables | (3,674) | 22,762 |
| Other assets | (3,122) | 261,195 |
| Accounts payable | 95,274 | (100,789) |
| Grants payable | (593,806) | 13,825 |
| Accrued expenses | (90,739) | (44,287) |
| Deferred rent | (15,483) | 16,325 |
| Deferred revenues | 65,983 | 440,372 |
| | <u>6,420,018</u> | <u>431,114</u> |
| Net cash provided by operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (11,811,449) | (12,648,533) |
| Proceeds from sales and maturities of investments | 5,264,565 | 13,031,878 |
| Purchases of furniture and equipment | (233,534) | (9,672) |
| Purchases of intangibles | - | (161,599) |
| Cash collections on notes receivable | 50,000 | - |
| | <u>(6,730,418)</u> | <u>212,074</u> |
| Net cash (used in) provided by investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds line of credit | 1,002,393 | 551,169 |
| Proceeds from note payable | 347,200 | |
| Payment on line of credit | (550,918) | (250,251) |
| | <u>798,675</u> | <u>300,918</u> |
| Net cash provided by financing activities | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 488,275 | 944,106 |
| CASH AND CASH EQUIVALENTS, a beginning of year | <u>4,047,098</u> | <u>3,102,992</u> |
| CASH AND CASH EQUIVALENTS, at end of year | <u>\$ 4,535,373</u> | <u>\$ 4,047,098</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Contributions recognized for donated securities | <u>\$ -</u> | <u>\$ 322,333</u> |
| Cash paid during the year for interest | <u>\$ 1,165</u> | <u>\$ 6,166</u> |
| Right of use asset recognized on operating lease upon the adoption FASB ASC Topic 842 | <u>\$ 970,186</u> | <u>\$ -</u> |

See accompanying notes.

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 |
| Meetings and refreshments | 2,290 | 28,443 | 27,171 | 3,099 | 61,003 | 596 | 11,630 | 73,229 |
| Dues and subscriptions | 2,767 | - | 1,353 | 11,342 | 15,462 | 4,289 | 6,364 | 26,115 |
| Supplies | 95 | 17,422 | 595 | 3,080 | 21,192 | 1,080 | 2,264 | 24,536 |
| Postage and delivery | - | 2,778 | 131 | 2,496 | 5,405 | 1,101 | 1,717 | 8,223 |
| Digital media | - | 14,112 | - | - | 14,112 | 350 | - | 14,462 |
| Photography | - | 2,030 | 2,088 | 413 | 4,531 | 221 | 375 | 5,127 |
| Event planner and event venue | 372 | 30,921 | 12,090 | - | 43,383 | 7,915 | - | 51,298 |
| Display, signage, and décor | - | 3,321 | - | 5,788 | 9,109 | 978 | 3,393 | 13,480 |
| Appreciation gifts | - | 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 expenses by function | 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 consolidated statement of activities | \$ 2,123,798 | \$ 1,747,278 | \$ 3,990,922 | \$ 2,279,885 | \$ 10,141,883 | \$ 609,849 | \$ 1,403,737 | \$ 12,155,469 |

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 | 769,400 | 4,301,925 | - | - | 4,301,925 |
| 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 |
| Direct costs of special events | - | - | - | - | - | 609,955 | - | 609,955 |
| 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 | 29,090 | 7,337 | 37,039 |
| Total | 1,900,060 | 1,889,624 | 1,329,357 | 1,205,463 | 6,324,504 | 1,406,047 | 1,810,781 | 9,541,332 |
| Less expenses included with revenues on statements of activities | | | | | | | | |
| Direct costs of special events | | | | | | (609,955) | | (609,955) |
| Total expenses included in the expense section on the consolidated statement of activities | \$ 1,900,060 | \$ 1,889,624 | \$ 1,329,357 | \$ 1,205,463 | \$ 6,324,504 | \$ 796,092 | \$ 1,810,781 | \$ 8,931,377 |

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 46-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

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 provides clarification in 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 determining whether a contribution is conditional. The Foundation adopted ASU 2018-08 as a resource recipient and resource provider as of the date of the initial application of July 1, 2019. The Foundation applied ASU 2018-08 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 February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which amends leasing guidance by requiring entities to recognize a right-of-use asset and a lease liability for all operating and capital leases with lease terms of greater than 12 months. The lease liability will be equal to the present value of the lease payments and the lease asset will be based on the lease liability, subject to adjustment, such as for initial direct costs. For the purposes of reporting on the statements of activities and changes in net assets, leases will continue to be classified as operating or capital, with lease expense in both cases calculated substantially the same as under the prior lease guidance. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets or liabilities and must recognize lease expense on a straight-line basis over the lease term. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. ASU 2020-05 extended the effective date of this standard for non-public entities. The updated guidance is effective for annual periods beginning after December 15, 2021.

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation adopted ASU 2016-02 and its related amendments as of July 1, 2019, which resulted in the recognition of operating right-of-use assets totaling \$949,809, as well as operating lease liabilities totaling \$970,186. The Foundation elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2019, using a modified retrospective transition, with the cumulative-effect adjustment to the opening balance of net assets as of the effective date “effective date method.” Under the effective date method, financial results reported in period prior 2020 are unchanged. The related policy elections made by the Foundation can be found in Note 2 – Summary of Significant Accounting Policies and the additional lease disclosures can be found in Note 12. There was no cumulative effect adjustment to the opening balance of net assets required.

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 53 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, 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.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, one donor comprises 62% and 10%, 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 agreement 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 as the funds are 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 component are ticket sales and tables sold for special events. Revenue raised from these events are recognized without donor restrictions in the year in which the event is occurred. 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 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, 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 \$(168,960) and \$(23,853) are included in the accompanying statements of activities and changes in net assets for the years ended June 30, 2020 and 2019, 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, 2020 or 2019.

Beneficial Interests

The Foundation has beneficial interests in a charitable remainder trust and life insurance policies at June 30, 2020 and 2019.

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, 2020 and 2019, furniture and equipment was approximately \$231,069 and \$22,414, net of accumulated depreciation of \$58,849 and \$79,372, respectively.

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 year ended June 30, 2020 and 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 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 May 2020, the Foundation received a loan under the Small Business Association's Paycheck Protection Program from Bank of Oklahoma 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 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 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, 2020 and 2019 were \$13,480 and \$43,985, 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.

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. Lease expense for lease payments is recognized on a straight-line basis over the lease term. 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.

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, 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. ASU 2020-05 extended the effective date of this standard for non-public entities. The updated guidance is effective for annual periods beginning after December 15, 2019. Early application of the amendments is permitted. 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.

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>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| | Fair Value | Fair Value |
| Fixed income | | |
| Corporate bond funds | \$ 4,409,215 | \$ 9,731,716 |
| Equities | | |
| Equity securities | 15,320,200 | 15,608,501 |
| Commodities funds | - | 323,216 |
| Mutual funds | 13,212,415 | - |
| Private partnership | | |
| Texas Women's Venture Fund II | <u>102,929</u> | <u>110,111</u> |
| Total investments | 33,044,759 | 25,773,544 |
| Cash and cash equivalents held in investment accounts | <u>32,631</u> | <u>1,667,577</u> |
| Total investments and cash and cash equivalents held in investment accounts | <u>\$ 33,077,390</u> | <u>\$ 27,441,121</u> |

Investment advisory fees paid by the Foundation totaled \$140,924 and \$82,533 for the years ended June 30, 2020 and 2019, respectively, and are netted against investment income in the accompanying statements of activities and changes in net assets.

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, 2020 and 2019:

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.

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, 2020, 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, 2020 and 2019 were .49% and 1.87%, 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, 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 |
| Mutual 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 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> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets in fair value hierarchy | <u>\$ 25,663,433</u> | <u>\$ 367,760</u> | <u>\$ 760,859</u> | 26,792,052 |
| Investments measured at NAV | | | | <u>110,111</u> |
| | | | | <u>\$ 26,902,163</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Beginning balance | \$ 760,859 | \$ 710,355 |
| Change in value of charitable remainder trust | <u>62,141</u> | <u>50,504</u> |
| Ending Balance | <u>\$ 823,000</u> | <u>\$ 760,859</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, 2020:

| | Fair Value at June 30, 2020 | Unfunded Commitments | Redemption Frequently | Redemption Notice Period |
|--------------------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|
| Texas Women's Venture Funds II | \$ 102,929 | \$ - | 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:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Endowments | | |
| Board designated quasi-endowment, without donor designation | \$ 1,839,698 | \$ 1,788,790 |
| With donor restrictions | 11,858,300 | 11,679,849 |
| Donor-advised funds, without donor restrictions | 17,123,724 | 11,559,476 |
| Operating funds, without donor restrictions | 530,609 | 494,279 |
| Field-of-interest funds, without donor restrictions | 1,624,127 | 1,808,616 |
| Private partnership, without donor restrictions | 102,929 | 110,111 |
| Total | <u>\$ 33,079,387</u> | <u>\$ 27,441,121</u> |

Note 4 – Liquidity and Availability

The following table reflects the Foundation's financial assets as of June 30, 2020 and 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 | 2020 | 2019 |
| Cash and cash equivalents | \$ 4,502,742 | \$ 4,047,098 |
| Investments | 33,044,759 | 25,773,544 |
| Pledges receivable, net | 2,702,926 | 4,746,729 |
| Notes receivable, programmatic investments | 150,000 | 200,000 |
| Interest and miscellaneous receivables | 109,082 | 105,408 |
| Beneficial interests | 1,172,693 | 1,128,619 |
| Financial assets, at June 30 | 41,682,202 | 36,001,398 |
| Less financial assets unavailable for general expenditure within one year, due to: | | |
| Purpose restricted net assets | (6,245,098) | (7,310,282) |
| Board designated endowment fund and accumulated earnings | (1,839,698) | (1,788,790) |
| Endowments and accumulated earnings | (11,858,300) | (11,679,849) |
| Investments, long - term | (102,929) | (110,111) |
| Beneficial interests | (1,172,693) | (1,128,619) |
| Pledges receivable, net, collectable beyond one year | (698,600) | (2,357,203) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 19,764,884</u> | <u>\$ 11,626,544</u> |

Note 4 – Liquidity and Availability

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 \$1,400,000 which it could draw upon in the event of an anticipated liquidity need. As of June 30, 2020, the line of credit has approximately \$647,000 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 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.

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 material deficiencies as of June 30, 2020 and June 30, 2019.

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.

Texas Women's Foundation
Notes to Financial Statements

Note 5 – Endowments (continued)

Endowment net assets consisted of the following at June 30:

| <u>2020</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</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> |
| <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> |

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, 2019 | \$ 1,788,790 | \$ 11,679,849 | \$ 13,468,639 |
| Contributions | 69,698 | 314,110 | 383,808 |
| Investment returns | 50,243 | 316,439 | 366,682 |
| Appropriation of endowment assets for grant and operational expenditures | <u>(69,033)</u> | <u>(452,098)</u> | <u>(521,131)</u> |
| Endowment net assets, at June 30, 2020 | <u>\$ 1,839,698</u> | <u>\$ 11,858,300</u> | <u>\$ 13,697,998</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> |

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:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Donor-advised funds | \$ 109,784 | \$ 502,413 |
| Operations | 806,632 | 1,736,100 |
| Cooperative grant funding | 1,854,122 | 2,817,225 |
| | <u>2,770,538</u> | <u>5,055,738</u> |
| Gross pledges receivable | 2,770,538 | 5,055,738 |
| Less discount to net present value | (17,612) | (56,348) |
| Less allowance for uncollectible pledges | (50,000) | (252,661) |
| | <u>(50,000)</u> | <u>(252,661)</u> |
| Total pledges receivable, net | <u>\$ 2,702,926</u> | <u>\$ 4,746,729</u> |

The maturity of pledges receivable as of June 30, 2020 are as follows:

| | |
|--------------------|---------------------|
| Less than one year | \$ 2,004,326 |
| One to five years | <u>698,600</u> |
| Total | <u>\$ 2,702,926</u> |

Pledges receivable are stated at the present value of estimated future cash flows using discount rates ranging from 2.24% to 2.38%.

Approximately 31% and 29% of gross pledges receivable are due from three donors at June 30, 2020 and 2019, respectively.

Note 7 – Notes Receivable, Programmatic Investments

The Foundation has two outstanding notes receivable agreements as of June 30, 2020 and three as of 2019 totaling \$150,000 and \$200,000, respectively. These notes represent the Foundation's desire to increase programmatic investments.

The two outstanding notes at June 30, 2020, 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, 2020 and 2019. As of October 21, 2020, 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, 2020 and 2019, total interest was \$5,400 and \$6,458, respectively, and are 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 for the year ended June 30:

| | 2020 | 2019 |
|-------------------------------|------------|------------|
| Intangibles | \$ 161,602 | \$ 161,599 |
| Less accumulated amortization | (74,445) | (29,778) |
| | \$ 87,157 | \$ 131,821 |

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

| | |
|------|-----------|
| 2021 | \$ 44,667 |
| 2022 | 24,710 |
| 2023 | 13,800 |
| 2024 | 3,980 |
| | \$ 87,157 |

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, 2020:

| | |
|------------------------------------|--------------|
| 2021 | \$ 1,808,709 |
| 2022 | 142,500 |
| Gross grants authorized but unpaid | 1,951,209 |
| Less discount on long-term grants | (1,161) |
| Net grants authorized but unpaid | \$ 1,950,048 |

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>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| General Granting | \$ 7,775,404 | \$ 8,000,006 |
| Available for General Use | 3,079,039 | 3,503,843 |
| Leadership | 1,693,930 | 296,099 |
| Events | 1,426,856 | 1,447,041 |
| Economic Security | 1,253,328 | 735,743 |
| General Use | 758,846 | 546,038 |
| Childcare | 578,804 | 644,714 |
| Advocacy | 428,600 | 423,600 |
| Research | 318,748 | 450,000 |
| Philanthropy Education | 300,000 | 421,844 |
| Other | 173,916 | 300,000 |
| Women's Health | 162,500 | - |
| Giving Circles and Donor Advised Funds | 153,428 | 2,221,202 |
| Total | <u>\$ 18,103,398</u> | <u>\$ 18,990,131</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>2020</u> | <u>2019</u> |
|----------------------|---------------------|---------------------|
| Purpose restrictions | \$ 1,881,729 | \$ 3,021,226 |
| Time restrictions | <u>1,333,602</u> | <u>1,466,649</u> |
| Total | <u>\$ 3,215,331</u> | <u>\$ 4,487,875</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 |
|------------|---------------------------|------------------------|-------------------------|
| 2021 | \$ 50,270 | \$ 15,451 | \$ 65,720 |
| 2022 | 113,567 | 13,674 | 127,241 |
| 2023 | 120,765 | 11,587 | 132,352 |
| 2024 | 128,128 | 9,418 | 137,546 |
| 2025 | 135,660 | 7,165 | 142,825 |
| Thereafter | 359,618 | 7,489 | 367,107 |
| | \$ 908,007 | \$ 64,784 | \$ 972,791 |

The Foundation recognized \$122,117 and \$111,255 for the years ended June 30, 2020 and 2019, 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 \$61,571 and \$57,188 during the years ended June 30, 2020 and 2019, respectively.

Note 14 – Debt

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 was 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 contained affirmative covenants. Balance paid off and closed as of October 25, 2019.

Texas Women's Foundation

Notes to Financial Statements

Note 14 – Debt (continued)

The Foundation opened a new line of credit on October 25, 2019, with a financial institution. At June 30, 2020, \$1,400,000 is available under this line. The revolving line of credit bears interest at LIBOR plus .75% (.93% at June 30, 2020). The new line of credit is secured by the Board Designated endowments. Balance at June 30, 2020 was 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). 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.

The aggregate principal maturities of note payable as of June 30, 2020, are as follows:

| | |
|--------------------------|-------------------|
| Years Ending June 30, | |
| <u>2021</u> | \$ 115,733 |
| 2022 | <u>231,467</u> |
| | <u>\$ 347,200</u> |

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, 2020 and 2019, 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 \$1,000,235 and \$962,597 as of June 30, 2020 and 2019, 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.

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 also Note 4.

Note 17 – Subsequent Events

The Foundation has evaluated events or transactions occurring after June 30, 2020 through October 21, 2020, the date these financial statements were available to be issued.